

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Approval of October 12, 2000

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: November 9, 2000

INFORMATION: _____

PRESENTER(S): Chairperson

Please see the attached minutes of the October 12, 2000, meetings of the Teachers' Retirement Board.

PROPOSED
MINUTES OF THE
TEACHERS' RETIREMENT BOARD
OPEN SESSION
THURSDAY, OCTOBER 12, 2000
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
FIRST FLOOR BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA 95826

BOARD MEMBERS PRESENT

Emma Zink, Chairperson
Yvonne Bodle
George Fenimore
Gary Lynes
Marty Mathiesen
Lillian Raffel
Walter Barnes, representing the State Controller, Kathleen Connell
Curt Robinson, representing the Superintendent of Public Instruction, Delaine Eastin
Jennifer DuCray-Morrill, representing the State Treasurer, Philip Angelides
Annette Porini, representing the Director of Finance, B. Timothy Gage

STAFF PRESENT

James D. Mosman, Chief Executive Officer
Christopher Ailman, Chief Investment Officer
Christopher Waddell, Chief Counsel
Elleen Okada, Director, Investment Administration and External Relations
Peggy Plett, DCEO, Administration
Michael Carter, DCEO, Client Benefits and Services
Laurence Martin, DCEO, Information and Financial Systems
Ed Derman, DCEO, External Affairs and Program Development
Ken Costa, START Project Director
Peggy Villapudua,
Susan Raspino,
Mary Miles, Administrative Assistant

OTHERS PRESENT

Maureen Rice, WorldGroup Consulting
Laura Metzger, Science Applications International Corporation
Adriana Christopher, Visionary Integration Professionals
Michael Green, CTA
Elizabeth Mackenzie, CRTA
George Wichman, Retiree
Lois Shive, CTA
Karen Stapf-Walters, ACSA
Susan Goff, CRTA
Beverly Carlson, CTA

James Hull, CRTA
Norman Gould, CRTA
Nancy Hollins, DPA
Pat Geyer, CRTA
Al Reyes, UTLA

A quorum being present, Chairperson Zink called the meeting to order at 10:12 a.m.

II. **APPROVAL OF MINUTES OF SEPTEMBER 7, 2000 MEETING**

MOTION duly made by Mr. Fenimore, seconded by Ms. DuCray-Morrill, and carried to approve the Board Meeting Minutes of September 7, 2000.

III. **ANNOUNCEMENTS**

There were no announcements.

IV. **COMMITTEE REPORTS**

INVESTMENT COMMITTEE: Mr. Lynes, Chairperson of the Investment Committee, reported that, in open session, the Committee received the Semi-Annual Performance Reports on the Overall Fund, Alternative Investments, and Real Estate. The Committee also updated the Fixed Income and Internal Equities policies. Staff was directed to work with CalPERS in their research on under-served urban and rural communities. The Committee also received reports on Legislation, the General Investment Budget Update, and Credit Enhancement. Activity status reports were received on Alternative Investment and Real Estate, as well as the Quarterly Litigation Report and a report from the Chief Investment Officer. Mr. Lynes introduced the new Chief Investment Officer, Christopher Ailman.

BY CONSENSUS, the report of the Investment Committee was accepted.

EXECUTIVE COMPENSATION COMMITTEE: Mr. Fenimore, Chairperson of the Executive Compensation Committee, reported the Committee discussed the pay structure for exempt staff and reviewed the draft agenda for the November meeting.

BY CONSENSUS, the report of the Executive Compensation Committee was accepted.

BUDGETS AND AUDITS COMMITTEE: Mr. Fenimore, Chairperson of the Budgets and Audits Committee, reported the Committee reviewed and approved the proposed budget for 2001/2002, received a report on the Audits of the Combined Financial Statements for the State Teachers' Retirement Fund as of June 30, 2000 and the Year then Ended. The Committee also received reports on the 1999/2000 Budget Status, 2000/2001 Budget Status, the Quarterly Audit Status, Internal Audits Final Report - Investment Branch Risk Assessment and in the Internal Audits Follow-up Status.

BY CONSENSUS, the report of the Benefits and Services Committee was accepted.

BENEFITS AND SERVICES COMMITTEE: Dr. Bodle reported the Committee adopted the factors from the June 30, 1999 Experience Analysis. The Committee also heard reports on the Direct Deposit Campaign Results, Post-retirement Earnings Limitation, Financial Education Program Seminar Schedule, Warrant Stub Message, and Level of Service Standards.

BY CONSENSUS, the report of the Benefits and Services Committee was accepted.

HEALTH BENEFITS COMMITTEE: Ms. Aronberg, Chairperson of the Health Benefits Committee, reported the Committee received reports on the Medicare Part A Effort, Status of signed legislation, Direct Care Update, Medicare RFP and a combined report regarding the Committee report to the legislature due next year and a Task Force Update. Ms. Aronberg also reported the Committee also reviewed the draft agenda.

BY CONSENSUS, the report of the Health Benefits Committee was accepted.

V. **CHIEF EXECUTIVE OFFICER REPORT**

Mr. Mosman reported he would be organizing the next NCTR Conference to be held in Salt Lake City and asked for content ideas. Mr. Mosman also distributed a draft 2001 Board meeting calendar which will be discussed at the November meeting. Ms. DuCray-Morrill requested the Board consider holding a December meeting and not scheduling a meeting in January.

VI. **START PROJECT STATUS**

Mr. Costa introduced Ms. Christopher who provided a presentation on the Model Office Team. Model Office is a part of the implementation phase to simulate START in production to assure accuracy. Mr. Costa, Ms. Rice of WorldGroup Consulting, and Ms. Metzger of Science Applications International Corporation provided an update on the START Project. Mr. Costa reported a testing assessment was performed on September 22 and the system conforms to the specifications and can process converted data; however, the Project Teams are not confident enough at this time to proceed with a December implementation.

VII. **UPDATE ON LEGISLATION**

STATE: Mr. Derman provided an update on the implementation of the Defined Benefit Supplement (DBS) Program (AB 1509). Mr. Derman also provided an analysis on the Proposition 38 (School Vouchers) and added ACSA, FACCC, CRTA, CFT and UTLA as opponents. Ms. Carlson, CTA, distributed additional information on Proposition 38 and urged the Board to take an oppose position on Proposition 38.

MOTION duly made by Ms. DuCray-Morrill, Mr. Mathiesen and Ms. Raffel, seconded by Dr. Bodle, Mr. Fenimore, and Ms. Porini, and carried to adopt an oppose position on Proposition 38. Mr. Barnes abstained.

Mr. Green of CTA and Mr. Reyes of UTLA thanked the Board for taking an oppose position on this issue.

FEDERAL: Mr. Derman reported the second installment of the Elk Hills money was received and the President has signed the bill for the third installment which will be paid in October, 2001. Mr. Derman also reported relief from Medicare Part A penalties currently included in the package of Medicare reform due in large part to the help of Congressman Thomas.

VIII. **TRAVEL**

Mr. Mosman presented this item.

MOTION duly made by Mr. Mathiesen, seconded by Mr. Fenimore, and carried to approve the requests for travel as presented. Mr. Barnes voted no.

MOTION duly made by Mr. Fenimore, seconded by Mr. Lynes, and carried to approve the travel summaries as presented.

IX. **APPROVAL OF CONTRACTS EXCEEDING \$500,000**

Ms. Plett presented this item.

MOTION duly made by Mr. Fenimore, seconded by Mr. Lynes, and carried to approve to augment the contract for Milliman and Robertson.

MOTION duly made by Mr. Fenimore, seconded by Mr. Lynes, and carried to augment the contract for Annette Knous Wimmer.

X. **CALSTRS ELECTRONIC SERVICE (E-SERVICE)**

This item was postponed to the next meeting.

XI. **QUARTERLY LITIGATION REPORT**

Mr. Waddell had nothing to add.

XII. **DRAFT AGENDA FOR THE NOVEMBER REGULAR MEETING**

There was nothing to add.

XIII. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC**

Mr. Hull, CRTA, presented Chairperson Zink with check for \$24.9 million representing the number of volunteer hours retired California teachers have given their communities.

XV. **MOVED TO CLOSED SESSION**

Chairperson Zink moved into closed session at 11:48 a.m.

XVI. **RETURNING TO OPEN SESSION**

Chairperson Zink returned to open session at 12 noon.

XVII. **CORPORATE IMAGING PROJECT**

(This item was heard out of order.)

Mr. Martin, Ms. Villapudua, and Ms. Raspino made a presentation on the Corporate Imaging Project.

XVIII. **ADJOURNMENT**

There being no further business to conduct, the meeting was adjourned at 12:40 p.m.

James D. Mosman, Chief Executive Officer
and Secretary to the Teachers' Retirement Board

Emma Zink, Chairperson